



Toynbee Hall

Learning from local action
developing national solutions

Thoresen Review of Generic Financial Advice
Savings and Investment team (SAVI)
HM Treasury,
1 Horse Guards Road,
London,
SW1A 2HQ

23rd April 2007

Re: Thoresen Review of Generic Financial Advice: call for evidence

Toynbee Hall hosts three successful financial inclusion projects, Transact, SAFE and Capitalise, which work to deliver or promote financial inclusion at local, regional and national levels.

Toynbee Hall produces practical innovative programmes for young people and families, adults, and older people, to meet the needs of local people, improve conditions and enable communities to fulfil their potential.

Services Against Financial Exclusion (SAFE) is an initiative of Toynbee Hall's Adult Advice and Education Team. Dedicated to helping people access specific financial services, as well as providing financial education and debt advice, SAFE aims to promote financial inclusion and increase financial capability.

Since 2002, SAFE has supported over 2,700 clients across London, many of whom have opened a basic or current account. Acting as a bridge between government policy and financial providers, SAFE continues to support clients to access appropriate financial products.

Safe Futures is a financial education project within the SAFE initiative, funded by the Department for Work and Pensions through the Pension Education Fund, that aims to increase working adults' understanding in and confidence about long term savings and pensions¹.

Capitalise is a London-wide partnership led by Toynbee Hall, Blackfriars Advice Centre, and Mary Ward Legal Centre, in partnership with a range of independent advice organisations, CABx and homeless charities including Broadway.

Capitalise is running a programme funded by the DTI's portion of the Government's Financial Inclusion Fund to employ 59 advisers providing debt and money advice to over 10,000 members of the public experiencing debt and other financial problems

Transact, the national forum for financial inclusion, is a network body of over 800 individuals and organisations dedicated to promoting and practising financial inclusion in the UK. Over the next few months Transact will be consulting with its members on the issue of Generic Financial Advice, and will continue to feed into the Thoresen Review's development. As Transact is responding separately, it is not a part of the Toynbee Hall response.

Toynbee Hall (encompassing the experience of SAFE and Capitalise) welcomes the energy being placed on financial inclusion, capability and literacy through this work. We are pleased to make the following submission to the Thoresen Review of Generic Financial Advice, focusing on the strategic issues as this is where we perceive our expertise and experience to add the most value:

AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?

There is relatively little provision of Generic Financial Advice (GFA) in its full sense as conceived in the Treasury's recent Financial Capability strategy² and our definition below (see AS3). However many advice services provide aspects of GFA, if limited to a client's specific concerns at the time. They will give detailed personal generic advice on specific financial issues, but without necessarily discussing a client's full personal financial strategy. Examples include:

- Private sector
 - At bank branches or in IFA sessions, individuals intending to buy financial products receive basic financial planning advice and can engage in a basic fact-find.
 - Other financial brokers of specialist products also regularly provide such services
- Voluntary sector
 - Through general advice work, for instance at CABx or other independent advice agencies.
 - Through financial literacy or capability work, for instance SAFE at Toynbee Hall provides one-to-one support around access to banking, pensions and long-term savings, which runs alongside wider financial capability training for those experiencing financial exclusion. This tends towards specific problems (i.e. an individual will receive advice on how to access basic banking facilities in order to enter employment), rather than a holistic, fact-find based process
 - Through debt or money advice work for instance Capitalise at Toynbee Hall provides debt advice and opportunities to discuss wider financial inclusion concerns.
 - Through income maximisation work as performed by a range of agencies such as CABx or Help the Aged
- Public sector
 - The FSA provides basic web-based decision making tools (for instance a debt check) on its moneymadeclear website³
 - Some assistance is available on specialist topics, for instance on pensions at the Pensions Advisory Service or benefits through Job Centre Plus offices.

Exceptions to this partial service provision are the more holistic services provided by Citizens Advice IFA pilot⁴, and the Fair Money pilot⁵. There may be other services currently available of which we are not aware; for a general discussion of these issues please see the notes from the Generic Financial Advice session at the 2007 Transact Annual Conference⁶.

AS2. For the services in AS1 please give some information on structure (e.g. funding, governance, scope of service, geography, legal basis of advice, scale constraints etc.)

SAFE at Toynbee Hall is funded through grants from various grant-making bodies, and periodically receives funding from the Government to deliver specific contracts. SAFE receives no direct income from its activities. It sits within Toynbee Hall's governance. Toynbee Hall is a registered charity. SAFE offers support through a variety of partner agencies throughout London, though its traditional focus has been East London, where Toynbee Hall is based. It has provided one-to-one support to around 3000 clients over the last 3 years, although staffing levels have varied which impacts on amount of clients. As the majority of SAFE's clients are from lower income and socially excluded backgrounds, and most of the one-to-one advice and support happens face to face, this is an intensive process. SAFE does not offer any form of financial advice, rather information, support and education through for instance the 'Informed Choice Discussion' as described in our 2005 report 'Banking the Unbanked'⁷. An Informed Choice Discussion involves a clear explanation of the topics involved, and a comparison of products using both generic and locally-specific information, but no product recommendations.

SAFE Futures receives full funding from the DWP. Governance is through a Toynbee Hall Trustee-led sub group. Service reach is London wide and the scope of service includes adults in employment in the voluntary sector. SAFE Futures does not offer any form of financial advice, rather information.

Capitalise also sits within the Toynbee Hall governance structure and works partly through a partnership model, to access its service users. It serves the wider London region, providing face to face debt advice and the opportunity to access further financial inclusion services. It is a London-wide partnership led by Toynbee Hall, Blackfriars Advice Centre, and Mary Ward Legal Centre, in partnership with a range of independent advice organisations, CABx and homeless charities including Broadway. Capitalise is running a programme funded by the DTI's portion of the Government's Financial Inclusion Fund to employ 59 advisers providing debt and money advice to over 10,000 members of the public experiencing debt and other financial problems. It provides debt advice, quality marked and audited by the Legal Services Commission.

Further or more detailed information is available on Toynbee Hall projects on the Toynbee Hall website (see references), or on request. The other organisations mentioned in AS1 would be best placed to respond regarding their operational details.

AS3. What do you believe is the most appropriate way of describing “generic financial advice” provision?

Generic financial advice is the provision of individualised financial planning and product information and advice which is clearly distanced from the sale of the specific, branded products. It takes into account an individual's personal circumstances, and should bring in other factors such as priorities, attitude to risk, debt, income maximisation, life goals and achievability of aims. It should provide sufficient information for individuals to make an informed choice about their financial strategy, and financial products.

It can recommend product types (e.g. pensions, contents insurance), but does not recommend specific brands or allow for selling-on. Instead it should provide sufficient information for individuals to choose further advice from an accessible source in an informed manner and/or to select appropriate products themselves.

It is often assumed that GFA is identical to the initial component of an IFA's advice; however Toynbee Hall considers that although it would certainly include this as a minimum, it would in fact be broader in scope, also covering issues such as debt and income maximisation, and providing an educational as well as an explanatory service. Therefore GFA is not just a static concept, but a process for advisers and clients to follow through together...

A key further benefit of the service would also be the provision of one point of contact with advice in order to deal with basic concerns, and then referral on to appropriate specialised services as required. In this way GFA can be considered a 'GP'-type financial advice service. It should be broad enough to identify any potential area of concern, but limited by its ability to recommend or 'sell' specific branded products.

AS4. Are there examples from overseas which offer good models for a national approach to generic financial advice and why?

In New Zealand there is a single point of contact with national responsibility for improving the financial health of the nation. The UK's financial inclusion policies could benefit from the effects of such a 'joined-up' approach. There are also excellent online financial health-check tools⁸.

In the USA there is a commercial financial planning sector that provides a relatively generic service without direct product referral. It would not necessarily be appropriate to replicate this directly here, but nonetheless the model could provide a starting point for defining certain aspects of GFA, and its boundaries with established regulated financial advice.

There are likely to be further examples referenced in the academic literature on financial inclusion from the UK and abroad. We do not have the capacity to provide comprehensive information on this topic.

AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?

Toynbee Hall is part of a large and diverse UK face-to-face advice sector including for instance the Money Advice Trust, the Citizens' Advice Bureaux and the Law Centres, as well as independent agencies such as the members of Advice UK which serves those on low-incomes or otherwise socially excluded.

Both the governance and funding infrastructure, as well as the core skill-set is already in place through which to provide generic financial advice through such organisations to their current service users. In addition, the service could be expanded and made accessible to wider and larger groups in a number of ways, for instance:

1. The provision of new GFA advisers in agencies in addition to existing services
2. the expansion of the generalist advice service that exists, with people specialising in GFA or able to provide a GFA service in addition to basic knowledge of other areas
3. The radical overhaul and expansion of the debt advice service so that clients can access money advisers not only for debt but for the financial health-check, basic advice and specialist referrals.

This last solution may be the most effective, as although this would require significant investment in training, the skills overlap is there to be leveraged. Furthermore, it is the experience of Toynbee Hall that most new debt advisers are keen to offer an enhanced service, as they can see that the needs of a client often go beyond the boundaries of (for example) debt advice, which are kept narrow by funding restrictions.

Using the current infrastructure for face-to-face advice has the added advantage of removing the need for the launch of an entirely new organisation that could wastefully duplicate current structures, expertise and funding paths. They also benefit from existing links into low-income communities and their diverse service providers (statutory, commercial and third sector).

Those not on low incomes who seek generic financial advice are currently well-served (see AS1, 'Private sector'). However this excludes the vital issue of those on low-median incomes who do not recognise their own needs, or tend not to access such support. It is possible that this constituency could be served through both an extension of current advice agencies' services, and of the commercial sector's, depending on the particular needs of the target group. Further investment would be required in order to extend the capacities of advice agencies most used to providing 'crisis' support, and the commercial sector most motivated by selling.

In addition, there are well-established alternative channels for accessing financial information and advice via the telephone, and online, such as the National Debt Line. Such channels could be developed to provide GFA services to a wider group of consumers than currently are willing, or need to access face-to-face advice.

In summary, the current infrastructure could cope with much of the need, if significant further investment in training and human resources were made. In addition, alternative channels should be developed to provide lower-cost routes to information and advice.

It may be that new services would be required in addition to reach those who perceive themselves as too far from either an advice or a commercial brand to be reached, however this would still involve extension and expansion of current capacity, which would be preferable to the creation of an entirely new service and/or structure.

BS1. Whom should generic advice aim to serve including a view on segmentation?

Generic financial advice should in principle be accessible to all UK residents, although provision should focus on those currently underserved by the commercial financial advice sector, including those on low incomes, those currently experiencing financial or social exclusion, and those on low-medium incomes who do not typically seek such financial advice.

We support the approach of the Resolution Foundation and recognise that those on low-median incomes are currently underserved, but would encourage the Thoresen Review to ensure that provision extends to those on very low incomes and those experiencing severe social exclusion. Toynbee Hall is concerned that a service which will be mainstream naturally risks leaving the most excluded behind, therefore special provision should be made to ensure that GFA does not simply join the ranks of the other financial products and services, which specific groups struggle to access through product, marketing, physical, language or self-exclusion. We need to ensure that the marginalised minority are not further excluded by a mainstream improvement in financial inclusion.

BS2. Are there groups it should not aim to serve and how might they be excluded or steered away?

An intuitive response might be to limit GFA to those on low incomes or otherwise experiencing financial or social exclusion. However this ignores the fact that financial exclusion can occur for a wide range of reasons, not all of which are related directly to income.

Therefore GFA should be a national, universal service marketed and provided through a range of channels appropriate to each group, segmented partly by income but also by other factors such as financial literacy or attitude to risk. In this way there is a clear comparison with the National Health Service, which provides a consistent service (i.e. free at point of access primary care) delivered in a range of settings (i.e. NHS Direct, GP surgeries, commuters' drop-in services) by a variety of staff (i.e. GPs, practice nurses), from which those on higher incomes can remove themselves in order to increase the speed or perceived value of the service.

In order to manage demand it may be desirable to limit the time spent with advisers in the first instance. CLS Direct's model of 30 minutes free advice to all, followed by a means-test for further advice may well be adaptable to provide a balance between free advice and service sustainability⁹.

A significant proportion of those on median-higher incomes would be likely to self-select out of the system (as is the case in health-care across Europe¹⁰), choosing instead to remain with commercial services (e.g. IFAs, brokers). In fact, a significant challenge of any GFA service would be to make it marketable to those on medium incomes who perceive that they are outside the advice sector's remit and yet have a reduced disposable income over the lifetime due a lack of planning, information or poor decision-making.

BS3. What are the best ways of reaching the target market (i.e. those most vulnerable to the consequences of poor decision-making)?

It is necessary to use a mix of communications channels. 'Those most vulnerable to the consequences of poor decision-making' are not solely defined by their income, and are in fact an extremely heterogeneous group.

As this will be a mainstream national campaign, significant investment will be needed in communication via mainstream media, perhaps analogously to a public health campaign. There is significant expertise in specialist communications agencies already; however examples of appropriate channels would be;

- Leaflets through outlets such as GP surgeries, advice agencies, job centres etc.
- Print media (local and national papers)
- Radio (local and national)
- Online (mainstream sites such as news or search engines, as well as specialise such as advice agencies/FSA)
- PR
- Direct referral

The infrastructure of the DWP's 'Now Let's Talk Money' Campaign would be a natural support structure for any such communication to those experiencing financial exclusion. The communications infrastructure of the FSA and other appropriate national bodies such as the Money Advice Trust, the CABx and the Job Centre network should also be maximised.

It is the experience of Toynbee Hall that those experiencing extreme financial or social exclusion tend to be less receptive to mainstream marketing. It is more effective to reach these groups through direct referrals from agencies already providing services.

It should also be considered what the 'trigger points' are for GFA. Debt crises traditionally drive interactions with money advice services, but as with accessing financial products and existing advice provision, significant life changes are also triggers, as shown by the FSA's Financial Capability Baseline Study¹¹. Hence any GFA model would need to be highly visible at these moments, e.g. when people leave home, enter or leave employment, get married, have children or experience ill-health, by linking with agencies that have existing structured interaction at these points.

BS4. What should be the content of generic financial advice? Which subjects should be included/excluded?

As set out in AS3, generic financial advice should be the provision of individualised financial planning and product advice, providing sufficient information for service users to make an informed choice about both financial strategy and financial products. The content should at minimum include the same generic, basic financial planning and fact-finding service as the initial stages of an IFA consultation, and then go further, i.e.:

- 1) An assessment of current situation
 - Basic personal details (e.g. age, employment, health, marital status etc)
 - Assessment of assets, income and liabilities
 - Assessment of approach to risk and reward, as well as financial priorities
 - A check of possession of and access to basic financial products (e.g. basic bank account)
 - A simple system of rating areas (e.g. traffic light system) to indicate where urgent action is required, where the individual may need to make changes and where the individual is well situated.

- 2) This would then lead on to a discussion about the basics of financial planning:
 - Generic information on the typical financial risks and challenges an individual might face during life e.g. significant purchases, illness, family changes, caring responsibilities etc
 - Similarly generic information on the importance of short, medium and long-term planning, following a traditional path of protection, savings, and investments
 - Assistance with assessing the pros and cons of different personal financial strategies

It should then provide a space for individuals to ask questions, prompting to check understanding around issues such as debt, interest and tax. These issues would naturally lead to a discussion of appropriate product types or personal financial strategies.

It can recommend product types (e.g. pensions, contents insurance), and should provide sufficient information for individuals to choose further advice from an accessible source in an informed manner. In SAFE's experience, the production of locally-specific but non-branded information on available products as a tool to assist in an Informed Choice Discussion is a useful start and could be usefully be replicated here.

Branded product comparisons can be useful for very simple products (e.g. a comparison of available Basic Bank Accounts), but the distinction between this and regulated advice could be extremely difficult to negotiate. Special clarification will be needed for advisers negotiating this advice minefield, and it is a particular responsibility of the Thoresen Review to make this distinction clear for GFA advisers.

Information should certainly be available to facilitate individuals to make these comparisons for themselves, by ensuring understanding of key features and jargon pertaining to products. Such information should cover all 'mainstream' financial products that are used in regular money management:

- Protection products
 - Home contents insurance
 - Life insurance
 - Health insurance
 - Income protection
- Regular savings products
- Low-threshold investments
 - ISAs
 - CTF
- Regular banking products
 - Current Accounts
 - Basic Bank Accounts
 - Savings accounts
- Credit Products
 - Loans
 - Credit Cards
 - Mortgages
 - Equity Release
 - Credit Unions/CDFIs
- Pensions

All materials should follow the best practice for financial marketing materials as set out by the FSA, and for accessibility (e.g. language, disability, literacy etc.). Consultation with relevant stakeholders as to the best-practice in these areas of communications is advised. These stakeholders, including specialist agencies already engaging in financial inclusion work could be identified through Transact's membership resources¹². This applies to printed, online and face-to-face guidance.

BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?

The boundary should come at the recommendation of branded products. Otherwise, GFA should broadly provide a similar service as the 'generic' element of existing regulated advice. Although there will naturally be other specific differences associated with regulation, skills etc. that will emerge as the design of the service develops, this is likely to remain the most significant and the easiest to understand.

BS6. What organisations and services should or could be expected to refer people to generic financial advice?

Referral points should come from as broad a range of sources as possible that touch on individuals' economic or other well-being. This would include those providing a wide range of support services, as well as other financial service providers, including bank branches, commercial credit providers, credit unions, CDFIs, etc.

In SAFE at Toynbee Hall's experience, in order to reach those experiencing severe financial or social exclusion it is almost always imperative to use referral as the primary communications route. This is because many such individuals do not habitually engage with a wide range of 'mainstream' services and/or marketing campaigns.

The vital link therefore will be the awareness and understanding of front-line workers in associated services such as housing, hostels, health, addiction, etc. An additional reason to maximise such links is that these services often engage with their users at times of life-change and transition (e.g. leaving prison, finding a home), when people are most likely to be receptive to financial capability and inclusion interventions and advice.

This may pose a significant challenge as even with debt advice there has historically been a lack of awareness and understanding and therefore of appropriate referrals from many such services (despite debt advice's long history in the UK). Such awareness is improving as training and cross-promotional techniques improve.

A strong caveat should be noted that GFA, as currently construed, is a preventative planning rather than a remedial crisis service. Therefore, the term 'referral' is potentially misleading, at least for mainstream service users. It could prove difficult to identify referral points besides the significant life changes as identified in BS3, and even when there is an identifiable 'need', this will pose an ethical challenge and open the service up to accusations of paternalism.

Whilst we do not believe that these challenges are insurmountable, it is vital that any marketing agency or service development process is clearly aware that this is a preventative planning rather than a remedial crisis service. Keeping this awareness in mind will ensure that any communications steer clear of the idea of 'need' in its strongest sense. Ultimately the choice to take action and to access GFA must remain with the individual, and be seen to do so.

**BS7. Where should people be referred to after receiving generic advice?
Should it be possible to refer people to a commercial provider? If so, how?**

People should be given a range of options from all of the existing, relevant services, both commercial and third sector. Information should be presented not only on the 'next steps' possible to take with each form of provider, but also on their financial compensation structures and sources of income.

Generic information should be given, ideally tailored to a local area and to needs, but without direct referral to individual service providers (e.g. using the FSA's website, or IFA Promotions' services¹³). Any direct referral to an individual commercial advice provider or organisation would compromise both the generic element of the advice, and could potentially disempower the service user as it assumes a lack of the very sense of financial capability that a GFA service would seek to instil.

BS8. What qualifications/training do generic financial advisers need and where could the advisers be sourced from?

The skill-set for Generic Financial Advice will sit somewhere in between those of a debt/money advisor and an IFA. We would recommend referral to the National Occupational Standards for Generic Financial Advice.

A large proportion of the core skills are already held by debt/money advisers, therefore some could be sourced from the existing advice community. A significant number of new advisers would need to be trained. As set out in AS6, the service development process would need to be carefully designed in order not to reduce current debt or other related advice service levels.

Advice agencies invest significant resources into training its advice staff; furthermore the Government has just invested £45m into the increase of debt advice and the development of new advisers, including intensive training programmes, to fill gaps in unmet need. The focus has been on bringing in new people to the sector, so as not to create further gaps within the sector, and should remain so.

Training and up-skilling can be done through existing structures, e.g. the Money Advice Trust and the Institute of Money Advisers. This could also provide a good opportunity to dovetail the training for debt and money advisers, and for IFAs. There is a natural progression route here, currently not fully exploited or recognised by the respective industries.

BS10. How would the creation of a new generic financial advice service materially affect advice providers?

The answer depends very much on the structure of the new service. Were a new service to build on service structures already in existence, up-skilling and expanding current capacity; were there to be significant extra funding to put new advisers in place; and were it to be clearly defined as separate to existing money advice services, it would be possible that advice providers will find themselves not losing income.

It is unlikely that demand from consumers will slow down as most financial advice services in general find themselves at capacity most of the time. In fact, referral load could increase following the introduction of a GFA service. Furthermore, the work of the 'Now Let's Talk Money' Campaign, aiming to increase demand for financial inclusion services amongst those experiencing or at risk of financial exclusion should continue to increase demand. Provision to make sure that supply can match this demand should be made.

There is a clear risk that were any of the supply-side issues not taken fully into account in the design of a new service, existing advice providers could find themselves out of both pocket and people. Both funding and human resources could be diverted, as anecdotal evidence suggests has already resulted from some Financial Inclusion Fund funding for debt advice.

Toynbee Hall urges the Thoresen Review to consider carefully the needs not only of the public but also of organisations that currently advise them effectively (see AS6 and BS6)- and their funders'- priorities.

CS1. To what extent should generic financial advice be free at the point of delivery?

GFA must be free at point of delivery, in order to be a truly accessible service. A significant proportion of consumers' unwillingness to access advice is a reluctance to face 'frightening' or 'boring' issues, therefore access to resources to help to overcome this fear must have as few and as low barriers as possible.

In order to manage demand it may be desirable to limit the time spent with advisers in the first instance. CLS Direct's model of 30 minutes free advice to all, followed by a means-test for further advice may well be adaptable to provide a balance between free advice and service sustainability.

CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?

Although it would be ideal to involve the commercial sector in the provision of GFA, given their expertise and extensive (for some parts of the market) delivery network, it is unlikely that any free at point-of-access service could be made financially rewarding in the absence of a direct sales or commission-based process for referring-on. Should commission or referral fees come into play, this would naturally compromise the 'generic' quality of any referral.

No evidence known to Toynbee Hall would support a commercial case; in fact the market failure for generic advice being provided to those on low-medium incomes suggests evidence to the contrary. This does not mean that some kind of partnership between the voluntary and commercial sector, with financial support, would not be a worthwhile consideration.

CS3. How can the wider benefits of generic financial advice, to individuals and society as a whole, be quantified?

In an ideal world, long-term large-scale randomised controlled trials would enable the benefits to be quantified. This would however be prohibitively expensive, unethical and socially unacceptable to boot! The next best alternative would be through economic evaluation over modelled life-courses, taking into account all aspects of social, economic and financial engagement and exclusion. The Resolution Foundation has done valuable work in this area with the assistance of Deloitte¹⁴. This work could be extended.

Separate financial and social cases could be developed for separate potential funder/providers of the service (voluntary sector, Government, commercial sector), the most appropriate audience in this case being the Government. This would necessitate an initial identification of the stakeholders' objectives and desired benefits.

CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?

The factors are the economic, financial and social gains for each stakeholder, as set out in CS3. The relevance of each type of benefit will vary according to each stakeholder's objectives and definition of the term 'benefits'. Therefore if the Government is likely to a) save money and b) reduce social exclusion, both of which are stated targets, they should contribute an amount calculated against the savings implied in the simple figure of a) and the more complex investment saving of b).

As in CS1, avenues for means-testing provision of advice can be explored. In this way the service users who can afford to are included in the delivery process, which can instil a higher perceived value and/or a sense of service user empowerment.

Should a commission-based referral service into the existing IFA structure develop, which we would not recommend given the concerns outlined in BS4 BS7 and CS2, above, it would need to be carefully regulated and monitored. This monitoring should direct attention not only towards the behaviour and financial gain implicit in each transaction, but also the longer-term gain for the product and service providers themselves in order to provide evidence for any (perhaps later) decisions on splitting costs out.

CS5. How can the “generic” element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the “fact find”?

It can be costed by a straightforward process of assessing the hourly rate of service provision, taking into account investment, facilities, marketing etc. over the longer-term. Its benefits should be quantified for wider stakeholders according to CS4 and CS5 and for individuals by modelling the likely amount of money saved over the longer-term due to the avoidance of poor financial decisions/literacy.

Existing financial services providers have some data that could be used as the basis for modelling cost and benefits for all stakeholders, however traditionally commercial financial services providers are unwilling to disclose such data. There are many benefits inherent in an increase in the level of disclosure (see evidence concerning the beneficial effects of the Community Reinvestment Act in the USA¹⁵, and recent publications from the UK’s CDFI sector¹⁶). In this case it would provide sufficient data for the Government and researchers to develop a strong case for the long-term benefits of financial inclusion and other services, including the GFA process.

Toynbee Hall urges the Thoresen Review to include data from commercial providers on individual financial strategies and financial inclusion progression routes in its analysis of the costs and benefits of GFA. It may be possible to access such data in a way that is commercially ‘safe’ for the businesses involved, and such avenues should be explored.

DS1. How can consumers be encouraged to improve their financial capability and take an active interest in their personal finances?

There are two main routes for encouraging consumers to take an active interest, both of which require a significant marketing and PR investment:

- By piggy-backing on existing mainstream media stories or programmes such as ‘bank of Mum & Dad’.
- By creating wider awareness through a marketing and information campaign

These channels need to be used with an awareness of consumers’ attitudes and behaviour around money and their own financial capability. For instance, the FSA’s research into financial capability¹⁷ suggests that consumers are most receptive to advice when approaching a significant life-event such as leaving home or having a family. Communications and service provision strategies should take advantage of these natural rises in interest in personal finance throughout individuals’ lives.

Findings from behavioural economics have a range of implications, for instance individuals are more prone to fear losses than they are to value gains; also attitudes to risk are highly contingent on the ‘framing’ of information, and emotions^{18, 19}. Useful summaries of these effects and their implications for policy have been produced by the Resolution Foundation²⁰, nef²¹ and the IPPR²². Direct claims that GFA could prevent future losses and/or save money should be explored in order to capitalise on these motivating factors.

Attitudes to risk, and the time-scale over which an individual might be willing to weigh up costs and benefits are both closely related, and wildly different between individuals. There is some evidence that groups on lower incomes are more likely to use shorter time-frames and to have a lower perceived level of control over their lives. This may make them less willing to engage in planning financially over the long-term (this hypothesis is contested).

Communications should take advantage of framing effects, the power of emotional connotations and the potential need to suggest short- as well as long-term goals, costs and benefits, in order to make the service engaging. Caution should be taken to avoid simplistic 'scare-mongering' in the worst tradition of public information campaigns.

DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?

Public health and other behavioural change campaigns are the closest analogies. Unfortunately, history is littered with poor examples; however those that have worked well tend to share the following characteristics:

- Emotional, as well as rational content
- The use of multiple channels to reinforce the message
- Clear signposting for practical assistance
- An empathetic understanding of the existing behaviour, that while it may not be rational in narrow 'economic' terms, it is nonetheless valid.

Examples of campaigns that are perceived to have worked well and that fit with the criteria set out above include:

- 'Gremlins' (Basic Skills)
- 'Clunk, Click' (car safety)

There is a broad literature on this topic and we would urge the Thoresen Review to look at this as well as outcome data available on past national behaviour-change campaigns. These have largely been instituted by public health or educational bodies.

DS3. What would an attractive brand for a generic financial advice service look like?

Clear, friendly, and demonstrably independent of any vested interest (or perceived vested interest) or existing brand (public, private or third sector). It would explain itself through its name and be memorable and simple, and would not try to be a 'fun' brand, as this would detract from efforts to encourage individuals to take their finances 'seriously', and would also imply that the Government does not take individuals' financial lives particularly seriously.

DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?

The physical locations where different groups regularly go to access products and services would be ideal, for instance:

- Existing advice providers for those who access them
- Shopping centres and supermarkets
- GPs surgeries
- Banks
- Credit Unions
- Community centres
- One-stop shops
- Sure Starts
- Housing information offices

- Hostels
- Job Centre Plus
- Extended schools
- Legal Advice Centres
- Other hubs of public services (job centres, hospitals, law courts, education providers, council offices)

ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?

A national body should ensure consistency and coverage, although delivery could be left to local, individual providers. We see GFA as falling squarely within the remit of financial inclusion²³, therefore any national body currently engaged effectively in front-line delivery of aspects of this work (for instance, debt advice provision) could usefully extend its services. We would be keen not to see the creation of a new, potentially duplicatory, stakeholder group.

¹ www.toynbeehall.org.uk

² HM Treasury. (2007). Financial Capability: the Government's long-term approach. HM-Treasury, www.hm-treasury.gov.uk

³ <http://www.moneymadeclear.fsa.gov.uk/tools.html>

⁴ <http://www.citizensadvice.org.uk/>

⁵ <http://www.fairmoney.org.uk/>

⁶ www.transact.org.uk

⁷ Toynbee Hall. (2005). Banking the Unbanked. Toynbee Hall, <http://www.toynbeehall.org.uk>

⁸ www.sorted.org.nz

⁹ <http://www.clsdirect.org.uk>

¹⁰ Mossialos, E., Dixon, A., Figueras, J., Kutzin, J. (2002). Funding Health Care: Options for Europe. Open University Press

¹¹ FSA. (2006). Establishing a Baseline. FSA, <http://www.fsa.gov.uk>

¹² www.transact.org.uk/map

¹³ www.unbiased.co.uk

¹⁴ Resolution Foundation (2007). The advice gain - The impact of generic financial advice on the financial services industry. Resolution Foundation, http://www.resolutionfoundation.org/pdfs/research_report_TheAdviceGain_14032007.pdf

¹⁵ The National Community Reinvestment Act Coalition. (2007). 'The Community Reinvestment Act', <http://www.ncrc.org>

¹⁶ Fair Finance. (2005). <http://www.fairfinance.org.uk/>

¹⁷ FSA. (2006). 'Establishing a Baseline'. FSA, <http://www.fsa.gov.uk>

¹⁸ Kahneman, D., & Tversky, A. (1984). Choices, Values & Frames. *American Psychologist*: 39; 4. 34 -350

¹⁹ Loewenstein, G. F., Weber, E. U., Hsee, C., Welch, N. (2001). Risks as Feelings. *Psychological Bulletin*: 127; 2, 267-286

²⁰ www.resolutionfoundation.org

²¹ www.neweconomics.org

²² www.ippr.org

²³ www.transact.org.uk